



## PUBLIC SERVICE COMMISSION

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**Bob Rowe, Commissioner**  
**District 5**

September 4, 2002

Marlene H. Dortch  
Secretary  
Office of the Secretary  
Federal Communications Commission  
445 12th Street SW, CY-B402  
Washington, D.C. 20554

RE: Comments Requested in Connection with Qwest's Pending 271 Applications,  
WC Docket Nos. 02-148 and 02-189

Dear Secretary Dortch:

This letter responds to the Commission's notice dated November 29, 2002, WC Docket Nos. 02-148 and 02-189. It summarizes the aggressive actions the Montana Public Service Commission (MPSC) has taken in order to ensure Qwest's compliance with Section 272 on a going forward basis, and briefly addresses some of the policy implications of the GAAP restatement.<sup>1</sup>

The MPSC participated in a seven state collaborative concerning Qwest's compliance with Section 272. As part of that proceeding, Qwest was required to subject itself to a third independent examination, covering the period from April through August, 2001, in order to determine:

1. whether there have been adequate actions to assure the accurate, complete, and timely recording in its books and records of all appropriate accounting and billing information associated with Qwest Corporation (QC)/ Qwest Communications Corporation (QCC) transactions;
2. whether the relationship between QC as a vendor or supplier of goods and services and QCC has been managed in an arm's length manner, including, but not necessarily limited to a consideration of what would be expected under normal business standards for similar contracts with an unaffiliated third party; and

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<sup>1</sup> Because of the short time for comments in response to this most recent notice, it was not possible to schedule a meeting at which comments could be voted on by the MPSC. This letter, therefore, reflects the views of the undersigned.

3. whether there are reasonable assurances that a continuation of the practices and procedures examined will continue to provide the level of accuracy, completeness, timeliness and arm's length conduct found in examining the preceding two questions.

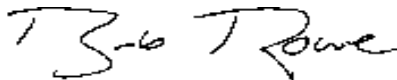
KPMG performed this evaluation. The evaluation found instances where Qwest was not in compliance. Qwest corrected those discrepancies and addressed each of them by strengthening existing controls or implementing new controls in efforts to avoid non-compliance in the future.

The MPSC reviewed the KPMG evaluation and found in its final report on Qwest's compliance with section 272, that Qwest has controls in place that are "reasonably designed to prevent, as well as detect and correct" such discrepancies and is in compliance with section 272. That report is on file with the Commission.

After Qwest is granted market entry under § 271, the biennial audits contemplated under section 272(d)(1) will begin. Those audits will have to examine the much-expanded relationships between BOCs and their affiliates. These audits will ensure that Qwest meets its Section 272 commitments on a going forward basis.

Restatement of financial books to ensure compliance with GAAP is in the interest of shareholders and customers alike. Whether by Qwest or by others, restatement should be encouraged, not discouraged. In this instance, restatement is not related to compliance with the separate affiliate requirements of Section 252.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Rowe". The signature is fluid and cursive, with the first name "Bob" and last name "Rowe" clearly distinguishable.

Bob Rowe